

AMENDED IN ASSEMBLY AUGUST 21, 2006

AMENDED IN SENATE MAY 26, 2006

**SENATE BILL**

**No. 1168**

---

**Introduced by Senator Chesbro**  
(Coauthor: Assembly Member Berg)

January 11, 2006

---

An act to amend Section 22877 of the Government Code, relating to the Rural Health Care Equity Program.

LEGISLATIVE COUNSEL'S DIGEST

SB 1168, as amended, Chesbro. Rural Health Care Equity Program.

Until January 1, 2008, or earlier, as specified, the Rural Health Care Equity Program, as administered by the Department of Personnel Administration, provides subsidies and reimbursements for certain health care premiums and health care costs incurred by state employees and annuitants in rural areas in which there is no board-approved health maintenance organization plan available for enrollment. Moneys in the program are disbursed to reimburse eligible employees for, among other things, a portion or all of his or her deductible, coinsurance, and other out-of-pocket health-related expenses that would otherwise be covered if the employee and his or her family members were enrolled in a board-approved health maintenance organization.

This bill would extend the operation of the Rural Health Care Equity Program to January 1, 2012, or as specified. ~~This~~ *The* bill would delete the provision that continuously appropriates funds to reimburse eligible employees for out-of-pocket health-related expenses, ~~as specified. This bill would state the intent of the Legislature to appropriate funds in the annual Budget Act to reimburse~~

~~eligible employees for out-of-pocket health-related expenses and would instead make the Rural Health Care Equity Program contingent upon funding in the annual Budget Act or another statute.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 22877 of the Government Code is  
2 amended to read:

3 22877. (a) As used in this section, the following definitions  
4 shall apply:

5 (1) “Coinsurance” means the provision of a health benefit plan  
6 design that requires the health benefit plan and state employee or  
7 annuitant to share the cost of hospital or medical expenses at a  
8 specified ratio.

9 (2) “Deductible” means the annual amount of out-of-pocket  
10 medical expenses that a state employee or annuitant must pay  
11 before the health benefit plan begins paying for expenses.

12 (3) “Program” means the Rural Health Care Equity Program.

13 (4) “Rural area” means an area in which there is no  
14 board-approved health maintenance organization plan available  
15 for enrollment by state employees or annuitants residing in the  
16 area.

17 (b) (1) The Rural Health Care Equity Program is hereby  
18 established for the purpose of funding the subsidization and  
19 reimbursement of premium costs, deductibles, coinsurance, and  
20 other out-of-pocket health care expenses paid by employees and  
21 annuitants living in rural areas that would otherwise be covered if  
22 the state employee or annuitant was enrolled in a board-approved  
23 health maintenance organization plan. The program shall be  
24 administered by the Department of Personnel Administration or  
25 by a third-party administrator approved by the Department of  
26 Personnel Administration in a manner consistent with all  
27 applicable state and federal laws. The board shall determine the  
28 rural area for each subsequent fiscal year, at the same time that  
29 premiums for health maintenance organization plans are  
30 approved.

31 (2) Separate accounts shall be maintained within the program  
32 for all of the following:

1 (A) Employees, as defined in subdivision (c) of Section 3513.

2 (B) Excluded employees, as defined in subdivision (b) of  
3 Section 3527.

4 (C) State annuitants.

5 (c) Moneys in the program shall be allocated to the respective  
6 accounts as follows:

7 (1) The contribution provided by the state with respect to each  
8 employee, as defined in subdivision (c) of Section 3513, who  
9 lives in a rural area and is otherwise eligible, shall be an amount  
10 determined through the collective bargaining process.

11 (2) The contribution provided by the state with respect to each  
12 excluded employee, as defined in subdivision (b) of Section  
13 3527, who lives in a rural area and is otherwise eligible, shall be  
14 an amount equal to, but not to exceed, the amount contributed  
15 pursuant to paragraph (1).

16 (3) The contribution provided by the state with respect to each  
17 state annuitant who lives in a rural area, is not a Medicare  
18 participant, resides in California, and is otherwise eligible, shall  
19 be an amount not to exceed five hundred dollars (\$500) per year.

20 (4) The contribution provided by the state with respect to each  
21 state annuitant who lives in a rural area, resides in California,  
22 participates in a supplement Medicare health benefit plan, and is  
23 otherwise eligible, shall be an amount equal to the Medicare Part  
24 B premiums incurred by the annuitant, not to exceed seventy-five  
25 dollars (\$75) per month. The program may not reimburse for  
26 penalty amounts.

27 (5) If an employee enters or leaves service with the state  
28 during a fiscal year, contributions for the employee shall be made  
29 on a pro rata basis. A similar computation shall be used for  
30 anyone entering or leaving the bargaining unit, including a  
31 person who enters the bargaining unit by promotion during a  
32 fiscal year.

33 (d) Each fund of the State Treasury, other than the General  
34 Fund, shall reimburse the General Fund for any sums allocated  
35 pursuant to subdivision (c) for employees whose compensation is  
36 paid from that fund. That reimbursement shall be accomplished  
37 using the following methodology:

38 (1) On or before December 1 of each year, the Department of  
39 Personnel Administration shall provide a list of active state

1 employees who participated in the program during the previous  
2 fiscal year to each employing department.

3 (2) On or before January 15 of each year, each department that  
4 employed an active state employee identified by the Department  
5 of Personnel Administration as a participant in the program shall  
6 provide the Department of Personnel Administration with a list  
7 of the funds used to pay each employee's salary, along with the  
8 proportion of each employee's salary attributable to each fund.

9 (3) Using the information provided by the employing  
10 departments, the Department of Personnel Administration shall  
11 compile a list of program payments attributable to each fund. On  
12 or before February 15 of each year, the Department of Personnel  
13 Administration shall transmit this list to the Department of  
14 Finance.

15 (4) The Department of Finance shall certify to the Controller  
16 the amount to be transferred from the unencumbered balance of  
17 each fund to the General Fund.

18 (5) The Controller shall transfer to the General Fund from the  
19 unencumbered balance of each impacted fund the amount  
20 specified by the Department of Finance.

21 (6) To ensure the equitable allocation of costs, the Director of  
22 the Department of Personnel Administration or the Director of  
23 Finance may require an audit of departmental reports.

24 (e) For any sums allocated pursuant to subdivision (c) for  
25 annuitants, funds, other than the General Fund, shall be charged  
26 a fair share of the contribution provided by the state in  
27 accordance with the provisions of Article 2 (commencing with  
28 Section 11270) of Chapter 3 of Part 1 of Division 3. On or before  
29 July 31 of each year, the Department of Personnel  
30 Administration shall provide the Department of Finance with the  
31 total costs allocated for annuitants in the previous fiscal year. The  
32 reported costs may not include expenses that have been incurred  
33 but not claimed as of July 31.

34 (f) Notwithstanding any other provision of law and subject to  
35 the availability of funds, moneys within the program shall be  
36 disbursed for the benefit of eligible employees. The  
37 disbursements shall subsidize the preferred provider plan  
38 premiums for the employee by an amount equal to the difference  
39 between the weighted average of board-approved health  
40 maintenance organization premiums and the lowest

1 board-approved preferred provider plan premium available under  
2 this part, and reimburse the employee for a portion or all of his or  
3 her incurred deductible, coinsurance, and other out-of-pocket  
4 health-related expenses that would otherwise be covered if the  
5 employee and his or her family members were enrolled in a  
6 board-approved health maintenance organization plan. These  
7 subsidies and reimbursements shall be provided as determined by  
8 the Department of Personnel Administration, which may include,  
9 but is not limited to, a supplemental insurance plan, a medical  
10 reimbursement account, or a medical spending account plan.

11 (g) Notwithstanding any other provision of law and subject to  
12 the availability of funds, moneys within the program shall be  
13 disbursed for the benefit of eligible annuitants. The  
14 disbursements shall either reimburse the annuitant, if not a  
15 Medicare participant, for some or all of the deductible incurred  
16 by the annuitant or a family member, not to exceed five hundred  
17 dollars (\$500) per fiscal year, or reimburse the annuitant, if a  
18 Medicare participant, for Medicare Part B premiums incurred by  
19 the annuitant, not to exceed seventy-five dollars (\$75) per month.  
20 The program may not reimburse for penalty amounts. These  
21 reimbursements shall be provided by the Department of  
22 Personnel Administration. Notwithstanding any other provision  
23 of law, any annuitant who cannot be located within a period of  
24 three months and whose disbursement is returned to the  
25 Controller as unclaimed is ineligible to participate in the  
26 program.

27 (h) Subject to subdivision—(i) (j), moneys remaining in an  
28 account of the program at the end of any fiscal year shall remain  
29 in the account for use in subsequent fiscal years, until the account  
30 is terminated. Moneys remaining in a program account upon  
31 termination, after payment of all expenses and claims incurred  
32 prior to the date of termination, shall be deposited in the General  
33 Fund.

34 ~~(i) It is the intent of the Legislature to appropriate funds in the~~  
35 ~~annual Budget Act to reimburse eligible employees for a portion~~  
36 ~~or all of his or her out-of-pocket health-related expenses in~~  
37 ~~excess of one thousand five hundred dollars (\$1,500) per fiscal~~  
38 ~~year. In no case shall the total expenditures from that~~  
39 ~~appropriation exceed fifteen million three hundred thirty-six~~  
40 ~~thousand dollars (\$15,336,000) for all fiscal years combined.~~

1     ~~(j)~~—

2     (i) The Legislature finds and declares that the program is  
3     established for the exclusive benefit of employees, annuitants,  
4     and family members.

5     (j) *This section shall be operative only to the extent that*  
6     *funding is provided in the annual Budget Act or another statute.*

7     (k) This section shall cease to be operative on January 1, 2012,  
8     or on an earlier date if the board makes a formal determination  
9     that health maintenance organization plans are no longer the most  
10    cost-effective health benefit plans offered by the board.